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SIPDIS

TREASURY FOR ERIC MEYER AND BRIAN COX
USDOC FOR 4232/ITA/MAC/EUR/JBURGESS AND MWILSON
USDOE FOR IA-42 ROBERT PRICE

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SUBJECT: SLOVAKS SEEK TO REPURCHASE TRANSPETROL FROM YUKOS

REF: WARSAW 04253

1. Summary. Three years after selling Transpetrol, the operator of the Slovak portion of the Druzhba pipeline, to Yukos, the GOS will attempt to repurchase the company. Citing instability at Yukos due to its legal problems with the GOR, Slovak Minister of Economy Pavol Rusko announced that the GOS had sent a letter to Russian officials expressing interest in repurchasing the company. The GOS would probably resell Transpetrol to another strategic investor. What this development could mean for the future of the Odessa-Brody pipeline is still unclear. End summary.

2. The Slovak press agency SITA reported that, at a November 8 conference, Rusko announced the GOS's efforts to repurchase Transpetrol. He added that he expected that the GOR would be interested in selling the company. Rusko explained that Yukos' planned extraordinary shareholders meeting on December 20 could lead to a decision to liquidate the company or send it into bankruptcy. He added that "we consider the situation a Yukos to be serious, thus our partnership is unstable. Slovakia will do everything possible to get back ownership of Transpetrol." He outlined a plan to conclude negotiations with the GOR within three months and complete the sale by the end of 2005.

3. The GOS sold 49 percent of Transpetrol, plus management rights, to Yukos in January 2002 for approximately USD 74 million. Rusko said he thought a possible repurchase price would be roughly the same, and added that the GOS has the money available to cover it. He said the GOS would likely resell the company to another strategic investor and noted that he already had a list of potential buyers, although he failed to elaborate. Rusko said another possibility is that the GOS would simply act as an agent for the GOR in directly selling Transpetrol from Yukos to a new buyer.

4. Comment. Recently, Rusko has used the media to express what many feel are exaggerated opinions on business-related subjects. However, if ownership of Transpetrol were to change hands it could possibly affect to moribund Odessa-Brody pipeline project designed to carry Caspian oil to central European markets by opening up the Slovak portion of the Druzhba pipeline to carry oil the final distance across Slovak territory. Post will follow up with the Ministry of Economy and report on developments.

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